

CALIFORNIA ECONOMIC STRATEGY PANEL

AGENDA

May 23, 2002
9:30 A.M. – 2:00 P.M.

California Treasurer's Building
915 Capitol Mall, Room 590 (Sign In)
Sacramento, CA 95814
(916) 653-7627

9:30 Welcome, Self Introductions, Purpose

Lon S. Hatamiya, Chair and Secretary
California Technology, Trade and Commerce Agency

9:35 Facilitated Panel Discussion on the Economy (Regional, State, Global)

Steve Levy, Director and Senior Economist
Center for the Continuing Study of the California Economy

Anil Puri, Dean
College of Business and Economics
California State University, Fullerton

Marney Cox, Chief Economist
San Diego Council of Governments

Facilitator: Ed Kawahara, Deputy Secretary
California Technology, Trade and Commerce Agency

Recorder: Trish Kelly, Economic Development Consultant
(All Panels)

10:45 Facilitated Panel Discussion on Infrastructure and Regional Governance Issues

Gil Hicks
Gill V. Hicks and Associates, Inc.

David Abel, President
Metropolitan Forum Project

Larry Gotlieb, Vice President Government and Public Affairs and Associate
Corporate Counsel

Kaufman and Broad Home Corporation and
Chair of the California Workforce Investment Board

Facilitator: Nick Bollman, President
California Center for Regional Leadership

11:45 Facilitated Panel Discussion on Regional Perspectives Regarding the Economy,
Infrastructure and Governance Issues

Ashley Swearengin, CEO
Fresno Area Collaborative Regional Initiative

Keith Lee, Associate Administrative Officer
County of San Bernardino
Economic Development and Public Services Group

Betty Riley, President
Sierra Economic Development District

Facilitator: Doug Henton, President
Collaborative Economics

12:30 Brown Bag Lunch and Members' Discussion Regarding Next Steps and Scope of
Work of the California Economic Strategy Panel

1:45 Public Comments

2:00 Adjourn

CALIFORNIA ECONOMIC STRATEGY PANEL

SUMMARY OF THE MAY 23, 2002 MEETING

(Recorded by Trish Kelly)

Background

The following provides a summary of the presentations and discussions that occurred at the California Economic Strategy Panel meeting on May 23, 2002. The primary purpose of the meeting was for Panel members to discuss with economists, experts in infrastructure investment and development, and professionals in regional economic and workforce development the most critical issues and demands for economic growth and competitiveness. The objective was to determine what the California Economic Strategy Panel can (or cannot) do between now and December 31, 2002 and the next planning cycle from January 1, 2003 through December 31, 2004.

Next Steps

The Panel members agreed to the following next steps. First, assess results, outcomes and unfinished business from previous work of the California Economic Strategy Panel. Second, review statewide and regional policy reports published in the past 3-4 years regarding the California economy and related issues, and develop a summary matrix for the Panel members. Third, divide the Panel members into the following four policy areas:

- Infrastructure and Governance Issues

Senator Bruce McPherson, Jerold Neuman and Ricky Laster

- Workforce Development and Education

Senator John Vasconcellos, Donald Fowler, Bill Simmons and Amy Dean

- Regionalism and Collaboration

Sunne Wright McPeak

- Economic Data and Information

Donald Fowler

Staff will complete the assessment and matrix for the Panel members in June. The Panel members will work with Technical Advisors and staff on in-depth analysis

and discussion of critical policy issues in each of the above areas. Staff will schedule and facilitate meetings with Panel members and Technical Advisers in July. In the process, the Panel members will define its work plan, taking into consideration the following roles and responsibilities that surfaced during discussions at the May 23rd meeting.

Economic Analyses

- Identify the drivers of regional economies and job growth.
- Identify and examine opportunities and constraints of leading and emerging industries.
- Identify distinct needs of and opportunities for rural and remote economic regions.

Issues Identification

- Identify policy issues important for the success of the California economy over the longer term, incorporating broader competitiveness requirements including quality of life and equity considerations.
- Identify public sector investment priorities, especially within the context of holistic planning.

Policy Recommendations and Collaboration

- Serve as the “vortex” for California’s economic future by bringing leaders and thinkers to the table, and helping Californians understand critical prosperity issues and investment needs
- Provide economic policy leadership across state agencies.
- Develop strategies towards realigning state policies, systems, resources and programs.
- Clarify partnership roles and help link system partners.
- Connect regional economies and industry cluster relationships across regions, and neighborhoods within regions.

The next full Panel meeting will be scheduled in August or September depending on the progress of the “next steps” described above.

Summary of the Facilitated Panel Discussions

The following provides a summary of the three panel discussions during the California Economic Strategy Panel on May 23, 2002. The panel discussions were followed by further dialogue that led to the above “next steps.”

The Economy (Regional, State and Global) and the Role of the California Economic Strategy Panel

Panel Participants

Steve Levy, Director and Senior Economist
Center for the Study of the California Economy

Anil Puri, Dean
College of Business and Economics, California State University,
Fullerton

Marney Cox, Chief Economist
San Diego Council of Governments

Panel Facilitator

Ed Kawahara, Deputy Secretary
California Technology, Trade and Commerce Agency

Key Challenges and Opportunities

- There is no ambiguity that California will grow – population, jobs, and housing – and we need to be prepared.
- The goal of economic growth is to raise the standard of living broadly (increased prosperity); but we are trending toward an hourglass economy.
- The theme is quality of growth.
- We have the key leading industries with workers and ideas. There is a lot of potential and there are a lot of emerging technologies. We need an educated, skilled workforce.
- The economy is changing but do not write off manufacturing – rather, look to technology and innovation to improve the competitive advantage of industry clusters.
- The Southern California region is highly diverse.
- There is a growing labor force without education and skills; there is a large at-risk population, especially Hispanic youth.
- Infrastructure issues include:
 - Access to international markets is critical – airport capacity is essential;

Need reliability for water and energy;
 Need increased housing supply – we have unplanned growth and low supply;
 Need compact balanced growth – we have sprawl and long commutes; and,
 Need to address fiscal reform and align public policy goals with fiscal rules to achieve balanced growth and increased housing supply.

- We have evolving regional economies within a global context, with local issues affecting decision-making about investments.
- The El Toro Airport decision showed that jobs alone are not enough; we cannot ignore the environment and quality of life issues.
- Top down decision-making for infrastructure development is not working.
- The Orange County Business Council forums on infrastructure options showed that people can make connections between investment and quality of life, and will support shared investments through reallocation of existing resources or new taxes if they perceive the clear benefit.
- To sustain our leading industries and prepare for growth we need infrastructure investments. Target public policy and infrastructure investments to the regional economic drivers. Invest in education and workforce development to bring skills up to par with jobs.
- The necessary investments must be made.
- We need a monitoring system for policy changes and for infrastructure investments. Flexibility is needed to foster competitive advantage.

Growth and Quality of Life

- What kind of growth are we planning for? What do people value? Jobs but also quality of life – jobs that pay more. Definition varies by region. In San Diego quality growth is benchmarked to measure the three E's (economy, equity and environment). They are focusing on the broad view of what makes a region livable and providing incentives to obtain desired outcomes. The Panel could look at regional indicator projects).
- “Quality growth” is dependent on “traded” clusters. Must move beyond R&D to create more middle-income jobs. Analyze economic drivers and build on existing resources; identify and invest in drivers.
- We need to invest to maintain the supportive climate for our leading industries. How we have regional policy for infrastructure investments versus local view and control results in limited investments. Residents are the number one customer and they also could be the barrier for growth.
- We need to re-energize the urban core – look at neighborhood drivers/exports; e.g. Los Angeles and ethnic foods market.

Role of the Panel

- Analyze/understand the economy; where and how job creation occurs (e.g., small firms, that have locational choice, yet choose quality of life). Define how does California compete for jobs (through investments, through community improvements, through workforce skills) making it harder for competitors to trump us. Better information on rural economies would help lead to better decisions such as facilitating job creation by entrepreneurs.
- In quality of life and infrastructure investments, keep the focus on jobs tied to the regional economy. Quality growth and the connection to high paying jobs must be made clear to the public. How do we connect quality of life with the economic drivers?
- Help people understand the role of State government as a partner with the regions regarding policies, services, rules and incentives. Clarify partnership roles.
- Identify and address governance issues.
- Show linkage from prior work to policy actions and impacts/ investments (e.g., the changes in telecommunications policy that led to \$650 million for infrastructure in rural areas and identification of education and workforce issues).
- Address fiscal reform.

Infrastructure Demands and Governance Issues and the Role of the California Economic Strategy Panel

Panel Participants

Gill Hicks, CEO
Gill V. Hicks and Associates

David Abel, President
Metropolitan Forum Project

Larry Gotlieb, V.P. and Associate Corporate Counsel
Kaufman and Broad Home Corporation and
Chair of the California Workforce Investment Board

Facilitator

Nick Bollman, President
California Center for Regional Leadership

Key Challenges and Opportunities **Alameda Corridor/Goods and People Movement**

- Infrastructure investments must be targeted to improve quality of life, support the economy and reduce the impacts of growth (especially pollution).
- The Alameda Corridor project is a very large, multi-year infrastructure project to improve goods movement from the Los Angeles ports via rail to key distribution points. It demonstrates the importance of addressing core infrastructure needs, planning and investing regionally to achieve multiple outcomes.
- There are additional needs in building the next phase and preparing the Southern California region to deal with transportation and goods movement capacity issues. We are nearing airport capacity and rail yards are at near capacity.
- It is extremely difficult to do such large scale planning and implementation across so many jurisdictions and to finance these important projects, but the long-term vitality of the region depends on it. Joint public-private partnerships are needed.

Key Challenges and Opportunities **Schools as Center of Community**

- Educational facilities and infrastructure is a way to engage the public.
- There are many resources coming available as a result of local votes, various bond measures and Proposition 10 that are to be directed to

schools, parks, libraries, health and facilities, but there is little connection or leveraging.

- With school construction, a single agency approach hurts neighborhoods. There is no funding for collaboration or master planning. Regulatory and funding reforms are needed for different ways to acquire sites, do planning and implement so that schools are truly centers of communities. We must figure out how to do holistic planning to reinvest in our people and neighborhoods.
- School construction bonds have a set-aside to encourage joint use to maximize investments. This is the type of model that can help.

Key Challenges and Opportunities

Workforce

- Workforce, job skills and occupational demands need to be connected with employment trends to guide the investment of the training system.
- Training should be provided in key cluster areas; better information from employers is needed.

Key Challenges and Opportunities

Housing

- Housing production levels are not meeting demands (as documented in the Little Hoover Commission Report, Department of Housing and Community Development Raising the Roof Report and the Governor's Commission on Building for the 21st Century) and are compounding; there is a growing situation of "haves" and "have-nots."
- Employers know housing is important for access and affordability for workers.
- Kaufman and Broad Home Corporation is increasingly building housing in other states, partly for California expansions and relocations.
- There is enough capital and demand, and we know what the issues are – that is not the problem. Leadership at the state and local levels is needed to address the "housing crisis" – we need to create a more supportive political norm.
- The fiscalization of land use is a disincentive for housing production. Local government costs get passed on to homebuilders, increasing costs of housing.
- There needs to be balance in the regulatory arena to resolve competing missions (i.e., protect the environment v. build more housing).
- Construction defect law reform is needed.

Critical Infrastructure Policy Issues

- We need to build infrastructure for the next generation. We stopped investing thirty years ago and this is the legacy we are leaving. We have a huge state budget deficit; but we must invest.
- The State-local fiscal issue is fundamental. People do not understand the impact of the property tax shift. Locals do not control their financial destiny and it hurts their decision-making process; they are working under bad rules. There is little capacity to make long-term decisions. The process breaks down on infrastructure investments. Local voters do not trust the decision-making process.
- The impacts of infrastructure investments have to be communicated/translated so people see the benefits.

Role of the Panel

- Advocate for holistic planning and resource partnering between state and local, state and federal and state-to-state. Send a message to pay for regional infrastructure planning.
- Support policies such as joint-use to incentivize those projects that benefit the taxpayers/community, not single use. Put priority on those that leverage/partner.
- Document best practices – how to leverage the multiple resources coming into communities (local and state bonds for education, parks and libraries).
- Identify the training needs of important industry cluster through working with the employers. Market the information and help with outreach to reach the customers.
- Help systems partners (i.e., California Community Colleges, K-12, Workforce Investment Boards, One-Stop Centers and Small Business Development Centers) link resources to serve the customers.
- Show the impact of not making investments (e.g., congestion, pollution, poor quality of life). Help communicate the benefits of investment better.
- Target investments in goods movement infrastructure. In terms of regional capacity for ports, disaggregate activities, analyze and link to demands of regional industry clusters. Assist other state ports where appropriate. Need to address congestion issues of ports or will lose to other West Coast ports.
- Help people manage the impacts of infrastructure investments (i.e., years of building the Alameda Corridor).
- Connect construction on infrastructure projects with the community and the neighborhoods. Train for local jobs, revitalize neighborhoods and share the wealth.

**Regional Perspectives Regarding the Economy, Infrastructure and Governance
Issues and the Role of the California Economic Strategy Panel**

Panel Participants

Ashley Swearingen, CEO
Fresno Area Collaborative Regional Initiative

Keith Lee, Associate Administrative Officer
County of San Bernardino, Economic Development and Services Group

Betty Riley, President
Sierra Economic Development District

Facilitator

Doug Henton, President
Collaborative Economics, Inc.

**Key Opportunities and Challenges
San Joaquin Valley**

- There are many economic opportunities such as water technology manufacturing cluster with global markets. A \$60 million R&D facility is being planned for advances in water technology. Other value added sectors have potential such as food processing, life sciences, health services.
- The key challenges include 1) the whole workforce system, including CEO training; 2) poverty – need to integrate workforce and human services with businesses; 3) regional cooperation/governance, especially in planning for the future – there is collaboration in the civic sector but the public sector is lagging; 4) land use, infrastructure, revitalizing older neighborhoods (goes back to planning); and, 5) capacity to capitalize on opportunities – need human, civic and financial capital.

**Key Opportunities and Challenges
Inland Empire**

- Key opportunities include affordability, potential for clean growth, educated workforce, quality of life, industrial land base and capacity and diversity of population.
- Key challenges include housing cost differential between the coastal and inland areas are driving high population growth; poverty – one of the lowest in per capita income – need for education and workforce training for new and existing workers; Large and growing minority population, especially Hispanic; housing imbalance and the need for regional

collaboration and fiscal reform; transportation – cross-county commute, increasing gridlock – need to locate employers closer to workforce; and, workforce shortage of skilled workers and planning for an aging workforce.

Key Opportunities and Challenges Northern California

- The Sierra is the “backyard” of California and relates to the larger urban vision of the state.
- Key opportunities include the “new forest economy” – value added wood products; wood products at a micro-scale; GIS mapping and planning; resource management and stewardship which require new skills sets; R&D; and, bio-energy fields.
- Key challenges include workforce skills gaps; condition and demands of infrastructure such as water and sewer systems and water quality issues; and, demands on health services such as outsiders putting pressure on search and rescue services.
- All the issues are inter-related, requiring regional discussions and balancing.

Role of the Panel

- Provide “thought” leadership – bring system together - provide leadership for collaboration.
- Connect regional economies.
- Collaborate across state agencies for a holistic approach.
- Take cross-cutting approach for regional/state connections on infrastructure investment, workforce development, fiscal reform and information on emerging industries. Analyze what are the leverage points for the emerging industries. Analyze poverty/demographics and skill level requirements.
- Analyze the recreation and tourism industry cluster.
- Examine rural and inner city entrepreneurship; encourage entrepreneurship culture in K-12 and address soft-skills training gap.
- Encourage infill/smart growth for housing growth and address contradictory rules in rural areas.
- Examine methods to fund holistic planning.
- Provide leadership in thinking long-term and promoting collaboration.
- Fill the need to understand regional economies and make choices for targeted investments in people and infrastructure. Efficiencies and productivity increases come from clustering and innovation. The assets and investments are there – are we targeting them in the best way?